KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

BBA 927: ENTREPRENEURSHIP AND BUSINESS DEVELOPMENT

DATE: Tuesday, 9th May 2017 **TIME:** 5.30 p.m. - 8.30 p.m.

INSTRUCTIONS:

ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

QUESTION ONE (COMPULSORY)

Read the following article and answer the questions that follow.

Entrepreneurship Research and Practice

BY

Entrepreneurship Research and Practice By Robert Hisrich, Thunderbird School of Global Management and Janice Langan-Fox and Sharon Grant Swinburne University of Technology

Entrepreneurship Education

Entrepreneurship Education The notion that it is possible to boost new venture creation and success through education is gaining popularity, and there is increasing support for the idea of entrepreneurship as a discipline that can be taught and learned (Kuratko, 2003). Katz (2007, p. 209) summarized the evidence that entrepreneurship education is associated with entrepreneurial activity and success and noted, "Although evidence is widely dispersed and unintegrated, the effort does seem to work": Entrepreneurship MBA graduates are more likely to be involved in new venture creation or ownership than are nonentrepreneurship MBA graduates; small firms that receive assistance from a Small Business Development Center (e.g., one-on-one counseling, training) show a higher rate of survival and growth than do other small firms; and the firms of entrepreneurship MBA graduates show a higher rate of sales and employment growth than do the firms of nonentrepreneurship MBA graduates. However, research incorporating a Gene Environment approach is needed before the traditional hypothesis that entrepreneurs are born, not made (the proposed "entrepreneurship gene") can be ruled out. There is also evidence to suggest that characteristics associated with entrepreneurial success, such as achievement motivation, can be learned. McClelland and Winter (1969) developed an achievement motivation training program for entrepreneurs based on the rationale that increasing the strength of this motive may increase a country's economic development. Small businessmen in India were trained how to think, talk, and act like people who score high on nAch. Results indicated that there was an increase in business activity two years after training. Similarly, achievement motivation training for minority business people in the United States was associated with an increase in monthly sales, personal income, and profit six months after training (Miron & McClelland, 1979). Entrepreneurship education may take the form of an academic program, entrepreneurship training, and individual or peer coaching (see Katz, 2007). Entrepreneurship education is currently a hot topic, and there has been a substantial increase in the number of courses offered in the past 20 years— over 2,000 courses, 1,500 schools, and 100 funded centers in the United States alone (Kuratko, 2003). A similar trend has emerged in Europe and China. For example, the German government recently funded 25 chairs in entrepreneurship, and in China courses are taught in many higher education institutions (Hisrich, 2005). Entrepreneurs need to be multiskilled (Markman, 2007). Even experienced, motivated, and visionary entrepreneurs are not immune to failure (Shane, 2003) and may benefit from education to hone their skills as their firms expand or change direction. Given what we have learned about entrepreneurs' cognitive shortcuts (see above), it is possible that entrepreneurs fall prey to erroneous decision making that could be avoided through appropriate education. In addition, entrepreneurs' possible dysfunctional personality characteristics may mean that they lack the social skills necessary to succeed. Baron and Markman (2000) highlighted the importance of social competencies, including social adaptability, social perception, impression management, and persuasion and influence. Busenitz and Arthurs (2007) stated that many entrepreneurs lack the managerial and technical skills needed for developing an organization. Baum, Locke, and Smith (2001) found that owner–manager CEOs' specific competencies (e.g., technical skills) but not general competencies (e.g., diagnostic use of concepts) directly predicted new venture growth. Baum and Locke (2004) introduced the construct of new resource skill, that is, skill in finding capital and human resources and setting up new systems, and found that it was a significant predictor of venture growth. Behaviorally specific skills or competencies are invisible assets that can be exploited and leveraged. McClelland (1987) identified several competencies that distinguished successful from less successful entrepreneurs: assertiveness, commitment to work, efficiency orientation, initiative, and systematic planning. It may be difficult to establish and measure entrepreneurial competencies given that we do not have a complete understanding of how competencies change over the life cycle of the business. Markman (2007) argued that what is needed is a knowledge, skills, and abilities (KSAs) analysis of entrepreneurship. Although there has been extensive research on the personality characteristics of entrepreneurs, there is a relative absence of research on the KSAs needed to get a venture off the ground and make it flourish. A constructive way forward would be to document the tasks that entrepreneurs need to perform to start up a business and lead it to success. By beginning with job analysis and deciphering the tasks that are common and unique to particular phases (e.g., start-up) and types (e.g., team-based) of entrepreneurship, psychologists will be able to identify important KSAs throughout the entrepreneurial process. A comprehensive taxonomy of 584 September 2007 • American Psychologist entrepreneurial tasks will allow researchers to better test and apply entrepreneurship theory by enabling interstudy comparison. Furthermore, knowledge of the KSAs associated with different entrepreneurial tasks would be valuable for selection and training. For instance, the KSAs associated with start-up could be used as a tool for assessing people's natural potential for entrepreneurship. A recent special issue on entrepreneurship education in the Academy of Management Learning & Education journal identified several areas for development, including teaching opportunity recognition as a core competency (DeTienne & Chandler, 2004) and educating entrepreneurs about emotion management in the context of learning from failure (Shepherd, 2004). Given the importance of protecting investor capital, ethics education is also a priority (Bechard & Gregoire, 2005).

Entrepreneurship as a Global Phenomenon .

The entrepreneurship literature is characterized by a lack of reliable, internationally comparable data (Hisrich, HonigHaftel, McDougall, & Oviatt, 1996; Thomas & Mueller, 2000). Yet there are two major reasons why international research should be given more attention. First, given the global economy, a critical new challenge for entrepreneurs is working on an international scale. Entrepreneurs are no longer restricted to the domestic market, and international entrepreneurship is emerging as the new breed of business activity (Dess et al., 2003). Furthermore, even locally oriented entrepreneurs must be aware of international competitors, customers, employees, and suppliers (Hisrich, Vahcic, & Glas, 1999). Morris et al. (2002) argued that recognizing cultural similarities and differences is crucial to building trust when negotiating, purchasing, selling, and working on an international scale. Second, cultivating native industry through indigenous entrepreneurship may provide a solution to unemployment and economic dependence in the developing world (W. Chen, 2000). Understanding the relationship between culture and entrepreneurship is vital to the internationalization of entrepreneurship theory including policy to promote new venture creation on a global scale (Thomas & Mueller, 2000). The role of cultural values in entrepreneurship and economic development outside the Western context has received less attention, with past research focusing on environmental factors such as capital, labor, and so forth (Morris et al., 2002). A major source of information on international differences in entrepreneurship is the Global Entrepreneurship Monitor (GEM), an ongoing initiative based on large-scale household sampling across 40 countries, including the United States. Entrepreneurial activity is measured using two indices, the Total Entrepreneurial Activity index (those active in starting a new business) and the Firm Entrepreneurial Activity index (innovation and growth in established firms) (Reynolds et al., 2004). GEM data are available to participating institutions for secondary data analysis. Although secondary data analysis is attractive in terms of cost and time efficiency, a major limitation of this data set and other archival entrepreneurship data sets (e.g., the Panel Study of Entrepreneurial Dynamics) is that they typically focus on sociological variables (e.g., personal background). Psychological variables are often lacking or have to be approximated using distant, single-item proxy measures (Davidsson, 2007)

Culture and Entrepreneurship

Cultural variation may stem from ethnic, language, national, regional, religious, or social class variation (Basu & Altinay, 2002). Culture may affect the supply of entrepreneurs by influencing preferences for entrepreneurship (Davidsson, 1995) or the personal characteristics of the population (Davidsson & Wiklund, 1997). Alternatively, culture may affect entrepreneurship indirectly via contextual factors. For instance, a culture's prevailing attitude toward entrepreneurship could affect the amount of financial support available to entrepreneurs or infiltrate the education system to determine the amount and quality of entrepreneurship education and training (Hisrich, 1996). For example, America's individualistic culture is amenable to entrepreneurship (Lee & Peterson, 2000). Walt Disney, Sam Walton, Ray Kroc, and Bill Gates embody the essence of entrepreneurship and the

American entrepreneurial dream (Burn, 2001), and it is through entrepreneurship that the majority of the Fortune 200 companies were realized (Purrington & Bettcher, 2001). The United States is currently a world leader in financial support for entrepreneurship (Reynolds et al., 2004). In contrast, Russia has been forestalled by the persisting culture of the communist regime, although a transition to a more entrepreneurial culture is now evident (Lee & Peterson, 2000). Russian entrepreneurs typically rely on personal funding and thus have restricted capital (Puffer & McCarthy, 2001). Empirical studies of culture and entrepreneurship have tended to focus on Hofstede's (1980) conceptualization of national culture (i.e., individualism– collectivism, uncertainty avoidance, power distance, and masculinity–femininity) (Hayton, George, & Zahra, 2002). A review of empirical studies on national culture and entrepreneurship (Hayton et al., 2002) indicated that (a) high individualism, low uncertainty avoidance, and high power distance are associated with national entrepreneurship; (b) individualism, power distance, and uncertainty avoidance are related to entrepreneurial characteristics such as cognitive scripts and traits; (c) entrepreneurs are higher in power distance, individualism, and masculinity and lower on uncertainty avoidance than are nonentrepreneurs; and (d) Hofstede's cultural dimensions are meaningfully related to aspects of corporate entrepreneurship such as entry mode, innovation, spin-offs, and strategic renewal. Tung, Walls, and Frese (2007) noted that despite evidence linking culture with venture creation, success, and failure, the culture– entrepreneurship relationship is inconsistent, small, and temporally unstable, with the nonequivalence of measures (e.g., cross-cultural differences in response styles and reference groups) contributing to this problem. The blurred empirical distinction between cultural values and individual values is also problematic. For instance, culture is conceptualized at the national level but measured at the individual level (Davidsson, 2007). Hayton et al. (2002) identified the relationship between culture and September 2007 ● American Psychologist 585 heuristics or scripts as a fruitful area for future research given that such characteristics (unlike individual values) are conceptually removed from cultural values. The development of a new measure of national culture focusing on cultural dimensions that are directly relevant to entrepreneurship is pertinent. For instance, Hofstede's (1980) broadly defined taxonomy (developed in the organizational context) might not adequately capture cultural dimensions that relate to entrepreneurship and/or cultural heterogeneity within a country or region (Basu & Altinay, 2002; Hayton et al., 2002). Basu and Altinay (2002) found that cultural dimensions such as attitudes toward education, business experience, family ties, family tradition in business, migration motives, and religion predicted business entry motives, pattern of start-up finance, and family involvement in business.

Culture, religion, and entrepreneurship. "Culture is greatly influenced by religion since religion determines a person's basic values and beliefs" (Basu & Altinay, 2002, p. 373). Yet, despite its status as a key component of culture and ethnic identity, religion has been underresearched in the international entrepreneurship literature. Bellu and Flume (2004) found that religion moderated the effect of pursuing material wealth on life satisfaction. Personal religiosity was associated with higher life satisfaction. Dodd and Seaman (1998) argued that religion may act as a munificence factor for entrepreneurship as well as strengthening (or weakening) other environmental munificence factors. For instance, religion may influence one's decision to become an entrepreneur by supporting (a) independent economic activity; (b) entrepreneurs' subsequent business strategies via personal religiosity (e.g., faith, morals); or (c) entrepreneurs' social networks (e.g., access to professional advice and support; Dodd & Seaman, 1998). Dodd and Seaman (1998) found that there were no significant differences between entrepreneurs and nonentrepreneurs with respect to religious affiliation (belonging to a particular religion), adherence (attending religious meetings), and impact (difference religion made in one's life). Furthermore, religious adherence was unrelated to entrepreneurial status or success. Note, however, that this study was based on a British sample in which religious behavior was generally low and skewed toward Christianity. Thus, it is possible that further research combining greater religious diversity with a between-groups design may reveal a stronger relationship between religiosity and entrepreneurship. In addition, the effect of religion on entrepreneurship may be mediated or moderated by other variables. Entrepreneurs interact with bankers, investors, customers, and employees, who form a major resource network that is vital to the longevity of the business (Baron, 2000; Hisrich, 1990). Entrepreneurs might be able to use their religious affiliations to help develop such networks (Dodd & Seaman, 1998).

Policy and entrepreneurship. Countries need a strategy for entrepreneurship. The challenge is forging a culture to encourage entrepreneurial activity. Governments have the potential to influence the rate of new venture creation through policy that is either directly or indirectly related to entrepreneurship (Hisrich et al., 2005). An interesting case is Northern Ireland, where government funding was used to kick-start the war-torn economy, making entrepreneurship an important cornerstone in the country's economic revival (Hisrich, 1988). Deng Xiaoping's dismantling of the communist system in China in the late 1970s is another example of how policy can have a dramatic impact on the development of entrepreneurship (see Tung et al., 2007). The British government has been proactive in implementing a strategy for entrepreneurship that focuses on encouraging the start-up market; developing regulatory policy; increasing access to capital; improving services for small firms; building skills to grow firms; promoting entrepreneurship among the disadvantaged; underpinning entrepreneurship with resources; and evaluating results (Gome, 2005). To further entrepreneurship worldwide, Reynolds et al. (2004) suggested that international policy should focus on decreasing the cost of registering firms, giving official recognition to property ownership, reducing government control over national economic activity, and providing training. Conclusion:

The Way Forward As a catalyst for innovation and job creation, entrepreneurship has significance for prosperity and well-being at the individual, family, community, and national levels. There is a wealth of research on entrepreneurship in business, economics, management, and sociology, but psychology's contribution is yet to be fully exploited, demanding this "call to action" for psychologists. There are a number of gaps in the literature that need to be filled, and in this article we have identified research opportunities for psychologists in five key topic areas: the personality characteristics of entrepreneurs, the psychopathology of entrepreneurs, entrepreneurial cognition, entrepreneurship education, and international entrepreneurship. These topic areas can be divided into two clusters: the characteristics of the entrepreneurs themselves, namely, individual differences such as personality, psychopathology, and cognition, and psychological variables that relate to the infrastructure of the entrepreneur's environment, specifically, system variables such as education and national factors, including culture and policy. With regard to the characteristics of entrepreneurs, research opportunities reside in clarifying the role of personality in the entrepreneurship process through longitudinal research and appropriate matching of predictor and criterion variables; improving construct operationalization and measurement (e.g., validity, reliability); exploring mediating and moderating variables in the personality–entrepreneurship relationship; and examining the psychopathology of entrepreneurs, including dysfunctional entrepreneurial behavior and its link to familial and/or work history. The study of entrepreneurial cognition, a nouveau area of entrepreneurship research, can provide a fresh outlook on the characteristics of entrepreneurs. Research opportunities abound in investigating the nature of opportunity recognition; examining cognitive shortcuts and their impact on success and failure; and establishing the importance of general and specific cognitive abil- 586 September 2007 • American Psychologist ities for the entrepreneurship process. The possibility that an entrepreneurship gene may determine the personality and cognitive characteristics of entrepreneurs must also be given research attention. Research on the infrastructure of the entrepreneur's immediate and broader sociocultural environment is needed to improve entrepreneurship education and promote local, ethnic, and international entrepreneurship. Research opportunities include identifying the KSAs that underpin entrepreneurship and incorporating these in education and training; establishing a reliable, internationally comparable database that includes psychological variables; improving studies of the culture– entrepreneurship relationship by addressing the level-of-analysis problem and developing new measures of national culture; and, finally, exploring the role of religion in entrepreneurship. This article should serve as a stimulus for a new era of research on the psychology of entrepreneurship. Psychology's contribution to entrepreneurship research and practice has the potential to revolutionalize our understanding of the dynamics of new venture creation and success. Most entrepreneurs start out with a dream: a magnificent obsession. As we have shown, there are several psychological variables that may influence the realization of this dream. These variables will need to be translated into practical solutions if the dream is to come true. The dream can be accomplished; psychology can help.

(a) In this article the authors have explored several ways/approaches of developing entrepreneurship in modern economies. Briefly analyze and critique the authors views and perceptions on entrepreneurship development. (10 Marks)

(b) Discuss how Hofstede's conceptualization of national cultures affect entrepreneurship development. (10 Marks)

(c) Discuss the weaknesses in the current programs of entrepreneurship development in Kenya. (10 Marks)

QUESTION TWO

With reference to at least two journal articles, explain the concepts of social and corporate entrepreneurship. (10 Marks)

QUESTION THREE

Analyze the technology institutional framework roles in business and how they have affected entrepreneurship development in Kenya. (10 Marks)

QUESTION FOUR

Discuss the current issues and trends in entrepreneurial leadership research. (10 Marks)

QUESTION FIVE

Analyze the concept of entrepreneurial opportunities from a research perspective. (10 Marks)